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[¶1.](#) (SBU) SUMMARY. The German EU presidency provides us with opportunities to engage both Germany and the EU on all aspects of energy policy, including the question of standards for the next generation of energy technologies. Germany plans to make energy a key focus of its EU and G-8 presidencies. The Chancellery, various Ministers, and top officials have all stressed they see boosting energy efficiency, whether as a tool to foster advanced industrial countries' economic productivity or to cut pollution and greenhouse gas missions, as a key aspect of upcoming discussions. Greater transparency in energy markets, increased applications of clean energy technologies, and greater use of renewable energy will also be themes. The plans parallel and build on the Merkel government's work to draft a comprehensive national energy strategy through 2020 and the EU's release of a green paper calling for an EU-wide energy policy last spring. While Germany is unlikely to advocate a greater role for Brussels in setting national energy policy, Berlin is interested in assisting the integration of energy markets within Europe and diversifying energy supplies. Officials also note talk of creating a more united EU stance on energy is designed to strengthen the EU's position in talking with energy suppliers. There is strong awareness as well of the implications -- whether in terms of emissions or higher resource prices -- stemming from expansion of energy consumption and power generating capacity in China, India, and other large emerging markets.

¶2. (SBU) The German EU presidency provides us with opportunities to engage both Germany and the EU on all aspects of energy policy. Recent senior USG visitors have raised the need for closer cooperation with the EU and its members on new energy technology to improve global energy security and address global warming, thus helping frame German thinking for its presidency. The German presidency's focus on efficiency, renewables and new technologies is an opportunity to find ways to harmonize standards on both sides of the Atlantic. By making progress on this front, the U.S. and the EU can advance the development/applications of leaner energy technologies and their acceptance worldwide. Given the high percentage of world economic output represented by the U.S. and EU, any joint decisions regarding new technologies, such as clean coal or biodiesel, could serve as benchmarks and better options for emerging global players such as China, India, and Brazil. In addition, we can use discussions on energy policy to focus on the security of energy supply, including diversification, transit and supply routes, such as LNG and pipelines. END SUMMARY.

¶3. (SBU) Following the cutoff of gas to Ukraine in January, German officials have focused increasingly on the issue of energy security and diversification of energy sources. The debate was furthered by the Merkel government's decision to call an energy summit in April to begin work on an ongoing national energy strategy through 2020, including building a factual base for re-examining the planned phase-out of nuclear power in Germany. The EU's recent publication of a green paper calling for a European-wide energy strategy and a greater role for Brussels in European energy policy added further impetus to these discussions. (Note: strong opposition from the Social Democrats in the ruling coalition is ruling out a change now in the plans for phasing out nuclear power; even Economics Minister Glos, a vocal advocate for nuclear power, admits publicly that progress on this issue is not likely until after the expected 2009 national elections. End note.)

¶4. (SBU) The Chancellor, Ministers, and senior officials in the Chancellery, Ministry of Economics, Foreign Office, and Environment Ministry have stated their desire to highlight energy security. Germany is also interested in some aspects of the Commission's recent green paper on energy, promising to work on the completion of the internal European market for gas and electricity and external energy relations. Chancellor Merkel has noted publicly that while she does not support giving Brussels more power over national energy policy, she does want to use the German presidency to implement existing energy directives and believes Europe needs to speak with one voice in its external energy relations. This last point gets at the question of Russia; thinking here is a solid EU front will improve members' ability to talk with Russian oil and gas suppliers. Germany intends to build on the EU's strategic energy report expected in early January and will develop an action plan setting out the various priorities for a European energy policy to be put forward for adoption at the spring summit in 2007.

ENERGY EFFICIENCY

¶5. (SBU) German government officials repeatedly emphasize that they have chosen to focus on areas where they believe Germany has the most to contribute. As the most energy efficient economy in Europe and second only to Japan in this area worldwide, energy efficiency is a natural focus for Germany's presidency. Domestically, the German government intends to double energy efficiency by 2020, relative to consumption and economic output in 1990. To achieve this goal, the government is focusing on implementing stricter building codes and adopting new technologies. A new energy saving law has as its standard the "seven-liter house," designed to use just seven liters of oil to heat one square meter for a year, about one-third the amount consumed by a house built before the 1973 oil shock.

¶6. (SBU) Within the EU, our German contacts have emphasized

they fully support the conclusions related to energy efficiency in the Commission's green paper. Germany believes energy efficiency can be increased through the adoption of stricter building codes, encouraging consumers to replace older appliances and phasing-out less efficient power plants, with the effect of cutting greenhouse gas emissions as well as energy use. During its Presidency Germany is likely to focus on the adoption of the most advanced technology in increasing energy efficiency as well as encouraging consumers to conserve energy where possible. This planned focus on energy efficiency, given U.S. advances in the field, should provide numerous areas for partnerships with German entities.

COAL

¶7. (SBU) Overall, Germany ranks first in European coal production and seventh worldwide. Most of this is lignite (brown coal). Coal currently accounts for 23% of all energy consumed in Germany and about three-quarters of coal usage in Germany is for electric power production. German concern over coal-fired plants' CO₂ emissions remains high. In addition to using the national emissions trading scheme to encourage power companies to replace older, less efficient power plants with new, more efficient models, Germany is focused on carbon capture and storage technology. The Swedish energy giant Vattenfall broke ground in June on the world's first carbon-free plant fueled by coal. The plant, located in southeastern Germany, will be a 40 MW test facility, but is seen as an important symbol in resolving outstanding issues in carbon capture and storage technology. Germany's largest energy generator, RWE, plans a carbon-free coal-fired plant to go into service in 2014. The \$1.2 billion project would have a 450 MW capacity.

¶8. (SBU) German senior officials have stated that clean coal will be a major priority for the EU presidency. There is strong interest in discussing the latest trends in clean coal technology and awareness. However, the main issues facing this sector are cost, safety, and public acceptance. German industry and the Ministry of Economics, the Chancellery and the Ministry of Environment want to cooperate with American counterparts on developing clean coal technology, potentially as an element of a broadened transatlantic relationship as well as a step further to the 2005 Mainz Declaration.

RENEWABLE ENERGY

¶9. (SBU) Germany is the largest electricity generating and consuming country in the EU and ranks sixth worldwide in electricity generation and seventh in electricity consumption. It is now the world's leading generator of electricity from wind and currently has about 20% of the world's non-hydro renewable energy generating capacity, ranking second (behind the U.S.) in that regard.

¶10. (SBU) Germany would like to establish a road map for greater use of renewable energy and is not opposed to the Commission's focus on sectoral targets. Germany is very interested in promoting biofuels, especially biodiesel. This is an area in which the Federal Republic has a large technological lead; it is currently the largest producer of biodiesel worldwide. Germany encourages this sector through favorable tax rates for biodiesel. Our interlocutors have noted the Commission has set a non-binding target for biofuels of 5% by 2010, but the Merkel government considers this a binding target nationally and will push for a binding target within the EU. Germany wants to work with the U.S. to set joint standards and efficiency criteria. While there are differences in how the U.S. and EU/EU members set standards, the current discussion on EU diesel standards in the European Commission Directorate General for Environment presents an opportunity to realize uniform standards.

CLIMATE

¶11. (SBU) In discussing energy, senior German officials

reiterate their desire to raise climate change. Our contacts have told us repeatedly this is an expectation of the German public that the Chancellor cannot ignore. In addition, Kyoto commitments are the driving force for much of the EU's interest in new energy technologies. That said, contacts within the Chancellery, Economic Ministry and Foreign Office have emphasized that Germany does not seek to use this issue to divide countries or obstruct close cooperation with the U.S., but wishes to move forward to a constructive dialogue on climate change and energy policy, which they consider interrelated.

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